

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* HENDRICKS	County* MACKINAC	Type* TOWNSHIP	MuniCode* 49-1-050
Opinion Date-Use Calendar* 9-9-08	Audit Submitted-Use Calendar* 9-23-08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 113,491.56
General Fund Expenditure: ?	\$ 130,111.08
Major Fund Deficit Amount: ?	\$ 0.00

General Fund Balance: ?	\$ 206,918.71
Governmental Activities Long-Term Debt (see instructions): ?	\$ 74,185.17

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N. LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* W527 CUT RIVER ROAD	Unit's City* NAUBINWAY	Unit's Zip* 49762	

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 9, 2008

To the Township Board
Township of Hendricks
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Hendricks, Mackinac County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hendricks's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hendricks, Mackinac County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Hendricks covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$323,373.07 for governmental activities. Total capital assets increased by \$35,000.00.

Overall revenues were \$135,690.62 from governmental activities. Governmental activities had a \$32,306.41 increase in net assets.

We did not incur any debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Road Fund and the Current Tax Collection Fund.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	252 989
Capital Assets	<u>144 569</u>
Total Assets	<u>397 558</u>
Current Liabilities	-
Non-current Liabilities	<u>74 185</u>
Total Liabilities	<u>74 185</u>
Net Assets:	
Invested in Capital Assets	70 384
Unrestricted	<u>252 989</u>
Total Net Assets	<u><u>323 373</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	9 686
General Revenues:	
Property Taxes	32 824
Other Taxes	44 394
State Revenue Sharing	15 895
Interest	4 255
Miscellaneous	<u>28 636</u>
Total Revenues	<u>135 690</u>
Program Expenses:	
Legislative	1 872
General Government	55 149
Public Safety	35 471
Public Works	2 810
Recreation and Culture	2 771
Other	2 312
Interest on Long-Term Debt	<u>2 999</u>
Total Expenses	<u>103 384</u>
Increase in Net Assets	32 306
Net Assets, April 1	<u>291 067</u>
Net Assets, March 31	<u><u>323 373</u></u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Road Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we expended \$144,751.64 on behalf of Township residents.

Our cash position in the governmental activities remains strong. Our external debt is \$74,185.17.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are Capital outlay which incurred expenses of \$35,000.00 and Fire protection of \$22,745.34.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$35,000.00 in capital assets.

The Township's governmental activities received \$35,000.00 of principal from loan proceeds.

The Township's governmental activities paid \$11,641.77 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor at (906)292-5527, Clerk at (906)292-5593, or Treasurer at (906)595-7239.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	248 966 35
Taxes receivable	<u>4 022 60</u>
Total Current Assets	<u>252 988 95</u>
NON-CURRENT ASSETS:	
Capital Assets	190 137 39
Less: Accumulated Depreciation	<u>(45 568 10)</u>
Total Non-current Assets	<u>144 569 29</u>
TOTAL ASSETS	<u><u>397 558 24</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Notes payable	<u>74 185 17</u>
Total Non-current Liabilities	<u>74 185 17</u>
Total Liabilities	<u>74 185 17</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	70 384 12
Unrestricted	<u>252 988 95</u>
Total Net Assets	<u>323 373 07</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>397 558 24</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	1 872 06	-	(1 872 06)
General government	55 148 55	2 033 35	(53 115 20)
Public safety	35 471 26	7 652 16	(27 819 10)
Public works	2 810 16	-	(2 810 16)
Culture and recreation	2 771 43	-	(2 771 43)
Other	2 311 96	-	(2 311 96)
Interest on long-term debt	<u>2 998 79</u>	<u>-</u>	<u>(2 998 79)</u>
Total Governmental Activities	<u>103 384 21</u>	<u>9 685 51</u>	<u>(93 698 70)</u>
General Revenues:			
Property taxes			32 824 24
Other taxes			44 393 72
State revenue sharing			15 895 62
Interest			4 254 78
Miscellaneous			<u>28 636 75</u>
Total General Revenues			<u>126 005 11</u>
Change in net assets			32 306 41
Net assets, beginning of year			<u>291 066 66</u>
Net Assets, End of Year			<u>323 373 07</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	205 442 83	43 498 52	248 941 35
Taxes receivable	1 450 88	2 571 72	4 022 60
Due from other funds	<u>25 00</u>	<u>-</u>	<u>25 00</u>
Total Assets	<u>206 918 71</u>	<u>46 070 24</u>	<u>252 988 95</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>206 918 71</u>	<u>46 070 24</u>	<u>252 988 95</u>
Total fund equity	<u>206 918 71</u>	<u>46 070 24</u>	<u>252 988 95</u>
Total Liabilities and Fund Equity	<u>206 918 71</u>	<u>46 070 24</u>	<u>252 988 95</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	252 988 95
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	190 137 39
Accumulated depreciation	(45 568 10)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Notes payable	<u>(74 185 17)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>323 373 07</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Total</u>
Revenues:			
Property taxes	10 838 58	21 985 66	32 824 24
Other taxes	44 393 72	-	44 393 72
Licenses and permits	1 452 16	-	1 452 16
State revenue sharing	15 895 62	-	15 895 62
Charges for services – PTAF	1 883 35	-	1 883 35
Charges for services	6 350 00	-	6 350 00
Interest	4 041 38	213 40	4 254 78
Miscellaneous	<u>28 636 75</u>	<u>-</u>	<u>28 636 75</u>
Total revenues	<u>113 491 56</u>	<u>22 199 06</u>	<u>135 690 62</u>
Expenditures:			
Legislative:			
Township Board	1 872 06	-	1 872 06
General government:			
Supervisor	12 341 61	-	12 341 61
Elections	1 859 13	-	1 859 13
Clerk	6 088 06	-	6 088 06
Board of Review	751 06	-	751 06
Treasurer	8 236 92	-	8 236 92
Building and grounds	9 094 35	-	9 094 35
Cemetery	1 779 38	-	1 779 38
Unallocated	14 093 45	-	14 093 45
Public safety:			
Ambulance	6 487 56	-	6 487 56
Fire protection	22 745 34	-	22 745 34
Protective inspection	1 304 61	-	1 304 61
Liquor law enforcement	564 00	-	564 00
Public works:			
Highways and streets	124 00	-	124 00
Street lights	2 686 16	-	2 686 16
Culture and recreation:			
Parks and recreation	2 771 43	-	2 771 43
Other:			
Payroll taxes	2 311 96	-	2 311 96
Capital outlay	35 000 00	-	35 000 00
Debt service	<u>-</u>	<u>14 640 56</u>	<u>14 640 56</u>
Total expenditures	<u>130 111 08</u>	<u>14 640 56</u>	<u>144 751 64</u>
Excess (deficiency) of revenues over expenditures	<u>(16 619 52)</u>	<u>7 558 50</u>	<u>(9 061 02)</u>
Other financing sources (uses):			
Loan proceeds	<u>35 000 00</u>	<u>-</u>	<u>35 000 00</u>
Total other financing sources (uses)	<u>35 000 00</u>	<u>-</u>	<u>35 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	18 380 48	7 558 50	25 938 98
Fund balances, April 1	<u>188 538 23</u>	<u>38 511 74</u>	<u>227 049 97</u>
Fund Balances, March 31	<u><u>206 918 71</u></u>	<u><u>46 070 24</u></u>	<u><u>252 988 95</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 25 938 98

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 274 34)
Capital Outlay	35 000 00

Receipt of debt proceeds is a financing source in the governmental funds, the receipt
does not have an effect in the statement of activities but does increase the debt
balance in the statement of net assets

Note proceeds	(35 000 00)
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Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payment on long term debt	<u>11 641 77</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>32 306 41</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hendricks, Mackinac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hendricks. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 4.1224 mills, and the taxable value was \$7,948,053.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-50 years
Equipment	4-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>248 966 35</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 025 00
Uninsured and Uncollateralized	<u>149 078 43</u>
Total Deposits	<u>249 103 43</u>

The Township of Hendricks did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. funds comply with the investment authority noted above.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	2 001 00	-	-	2 001 00
Buildings and improvement	30 637 28	-	-	30 637 28
Equipment	60 679 00	35 000 00		95 679 00
Infrastructure to affect long term debt	<u>61 820 11</u>	<u>-</u>	<u>-</u>	<u>61 820 11</u>
Total	155 137 39	35 000 00	-	190 137 39
Accumulated Depreciation	<u>(40 293 76)</u>	<u>(5 274 34)</u>	<u>-</u>	<u>(45 568 10)</u>
Net Capital Assets	<u>114 843 63</u>	<u>29 725 66</u>	<u>-</u>	<u>144 569 29</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$1,452.16 and building permit expenses of \$1,304.61.

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 9 – Changes in General Long-Term Debt

A summary of the changes in general long-term debt follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
Note Payable – Truck	-	35 000 00	-	35 000 00
Note Payable – Roads	<u>50 826 94</u>	<u>-</u>	<u>11 641 77</u>	<u>39 185 17</u>
Totals	<u>50 826 94</u>	<u>35 000 00</u>	<u>11 641 77</u>	<u>74 185 17</u>

Note 10 – Note Payable – Truck

On August 2, 2007, the Township obtained a \$35,000.00 loan from the First National Bank of St. Ignace to fund the purchase of a 1989 Pierce fire vehicle. The loan is payable in seven annual payments of \$5,000.00 plus interest at the rate of 5.25% per annum. The annual payments began on August 2, 2008. As of March 31, 2008, the principal balance outstanding on the loan was \$35,000.00.

Note 11 – Note Payable – Roads

On August 10, 2001, the Township obtained a \$100,000.00 loan from the First National Bank of St. Ignace to fund road construction work. The loan is repayable in nine annual payments of \$14,640.56, including interest at the rate of 5.9% per annum. The annual payments began on August 10, 2002. As of March 31, 2008, the principal balance outstanding on the loan was \$39,185.17.

Note 12 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>25 00</u>	Current Tax Collection	<u>25 00</u>

Note 13 – Budget Variances

The Township incurred the following budget variances:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Supervisor	12 270 00	12 341 61	71 61
Elections	600 00	1 859 13	1 259 13
Treasurer	8 174 96	8 236 92	61 96
Building and grounds	4 500 00	9 094 35	4 594 35
Unallocated	10 690 00	14 093 45	3 403 45
Ambulance	6 000 00	6 487 56	487 56
Fire protection	15 000 00	22 745 34	7 745 34
Protective inspection	1 000 00	1 304 61	304 61
Liquor law enforcement	-	564 00	564 00
Street lights	2 300 00	2 686 16	386 16
Capital outlay	-	35 000 00	35 000 00

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	14 000 00	14 000 00	10 838 58	(3 161 42)
Swamp tax	44 393 00	44 393 00	44 393 72	72
Licenses and permits	1 000 00	1 000 00	1 452 16	452 16
State revenue sharing	13 800 00	13 800 00	15 895 62	2 095 62
Charges for services – PTAF	-	-	1 883 35	1 883 35
Charges for services	1 000 00	1 000 00	6 350 00	5 350 00
Interest	1 500 00	1 500 00	4 041 38	2 541 38
Miscellaneous	570 00	570 00	28 636 75	28 066 75
Total revenues	76 263 00	76 263 00	113 491 56	37 228 56
Expenditures:				
Legislative:				
Township Board	2 459 92	2 459 92	1 872 06	(587 86)
General government:				
Supervisor	12 270 00	12 270 00	12 341 61	71 61
Elections	600 00	600 00	1 859 13	1 259 13
Clerk	6 714 96	6 714 96	6 088 06	(626 90)
Board of Review	1 200 00	1 200 00	751 06	(448 94)
Treasurer	8 174 96	8 174 96	8 236 92	61 96
Building and grounds	4 500 00	4 500 00	9 094 35	4 594 35
Cemetery	2 700 00	2 700 00	1 779 38	(920 62)
Unallocated	10 690 00	10 690 00	14 093 45	3 403 45
Public safety:				
Ambulance	6 000 00	6 000 00	6 487 56	487 56
Fire protection	15 000 00	15 000 00	22 745 34	7 745 34
Protective inspection	1 000 00	1 000 00	1 304 61	304 61
Liquor law enforcement	-	-	564 00	564 00
Public works:				
Highways and streets	500 00	500 00	124 00	(376 00)
Street lights	2 300 00	2 300 00	2 686 16	386 16
Culture and recreation:				
Parks and recreation	4 700 00	4 700 00	2 771 43	(1 928 57)
Other:				
Payroll taxes	5 000 00	5 000 00	2 311 96	(2 688 04)
Capital outlay	-	-	35 000 00	35 000 00
Total expenditures	83 809 84	83 809 84	130 111 08	46 301 24
Excess (deficiency) of revenues over expenditures	(7 546 84)	(7 546 84)	(16 619 52)	(9 072 68)
Other financing sources (uses):				
Loan proceeds	-	-	35 000 00	35 000 00
Total other financing sources (uses)	-	-	35 000 00	35 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7 546 84)	(7 546 84)	18 380 48	25 927 32
Fund balance, April 1	43 117 97	43 117 97	188 538 23	145 420 26
Fund Balance, March 31	35 571 13	35 571 13	206 918 71	171 347 58

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	-	-	21 985 66	21 985 66
Interest	-	-	213 40	213 40
Total revenues	-	-	22 199 06	22 199 06
Expenditures:				
Debt service	14 640 56	14 640 56	14 640 56	-
Total expenditures	14 640 56	14 640 56	14 640 56	-
Excess (deficiency) of revenues over expenditures	(14 640 56)	(14 640 56)	7 558 50	22 199 06
Fund balance, April 1	14 640 56	14 640 56	38 511 74	23 871 18
Fund Balance, March 31	-	-	46 070 24	46 070 24

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	<u>1 872 06</u>
Supervisor:	
Salary	6 000 00
Mileage	630 50
Miscellaneous	911 11
Assessors fees	<u>4 800 00</u>
	<u>12 341 61</u>
Elections	<u>1 859 13</u>
Clerk:	
Salary	5 799 96
Office supplies	100 00
Deputy Clerk	120 00
Miscellaneous	<u>68 10</u>
	<u>6 088 06</u>
Board of Review	<u>751 06</u>
Treasurer:	
Salary	5 799 96
Miscellaneous	331 00
Office supplies	1 985 96
Deputy Treasurer	<u>120 00</u>
	<u>8 236 92</u>
Building and grounds:	
Repairs and maintenance	8 606 82
Utilities	<u>487 52</u>
	<u>9 094 35</u>
Cemetery:	
Wages	<u>1 779 38</u>
Unallocated:	
Tax roll preparation	816 70
Audit	500 00
Property tax refunds	2 673 51
Publications	177 58
Insurance	9 515 00
Dues and conventions	<u>410 66</u>
	<u>14 093 45</u>
Ambulance	<u>6 487 56</u>
Fire protection:	
Wages	1 300 00
Utilities	2 570 27
Fuel	1 927 61
Telephone	822 75
Mileage	1 532 23
Miscellaneous	3 634 02
Repairs and maintenance	5 922 72
Supplies	<u>5 035 74</u>
	<u>22 745 34</u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Protective inspection	<u>1 304 61</u>
Liquor law enforcement	<u>564 00</u>
Highways and streets	<u>124 00</u>
Street lights	<u>2 686 16</u>
Parks and recreation	<u>2 771 43</u>
Payroll taxes	<u>2 311 96</u>
Capital outlay	<u>35 000 00</u>
Total Expenditures	<u><u>130 111 08</u></u>

TOWNSHIP OF HENDRICKS
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LAIBILITIES
Year Ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in bank	25 00	174 802 62	174 802 62	25 00
Total Assets	<u>25 00</u>	<u>174 802 62</u>	<u>174 802 62</u>	<u>25 00</u>
<u>Liabilities</u>				
Due to other funds	25 00	31 024 37	31 024 37	25 00
Due to others	-	143 778 25	143 778 25	-
Total Liabilities	<u>25 00</u>	<u>174 802 62</u>	<u>174 802 62</u>	<u>25 00</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 9, 2008

To the Township Board
Township of Hendricks
Mackinac County, Michigan

We have audited the financial statements of the Township of Hendricks for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hendricks in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Hendricks
Mackinac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants